

Digital Performance

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This problem situation was written by Jorge Luis Coronel Fuentes (jcoronel@tec.mx), using the AI program (Copilot), with the purpose of serving as discussion material in the classroom. It does not intend to illustrate good or bad administrative practices. This document was elaborated from secondary sources.

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The Company

NIKE, Inc. is one of the world's leading athletic footwear, apparel, and equipment companies, operating in more than 170 countries. For fiscal year 2025, the company reported total revenues of USD 46.3 billion, a 10% decline compared to fiscal year 2024, which reflects softer global demand and increased promotional activity (Nike, Inc., 2025a).

A core component of NIKE's business model is its direct-to-consumer (DTC) strategy. NIKE Direct generated approximately USD 18.8 billion in revenue during fiscal year 2025, representing about 42% of total NIKE Brand revenues. However, NIKE Direct revenues have declined 13% year-over-year, primarily due to a 26% decrease in NIKE Brand Digital sales, which was partially offset by growth in company-owned physical stores (Nike, Inc., 2025a).

This decline is particularly relevant given NIKE's sustained investment in digital marketing and owned digital platforms. As digital commerce is tightly linked to paid media, traffic acquisition, and conversion performance, changes in digital sales outcomes offer an opportunity to assess whether current marketing strategies, media efficiency, and performance metrics are effectively supporting revenue and profitability objectives.

Context

Over the last two years, NIKE has significantly expanded its investment across paid social media, search advertising, programmatic display media, influencer partnerships, and lifecycle email marketing. These initiatives were designed to support the NIKE Direct ecosystem and were guided by the following objectives:

- Increase qualified traffic to NIKE-owned digital platforms.
- Improve e-commerce conversion rates across key markets.
- Optimize return on ad spend (ROAS) while controlling customer acquisition costs.
- Increase digital revenue productivity by improving conversion efficiency rather than relying on promotional discounting.

Derived digital marketing objectives are based on NIKE's public financial disclosures (Form 10-K) and Investor Relations reports.

NIKE's digital marketing efforts during fiscal year 2025 were aligned with its broader Direct-to-Consumer (DTC) strategy, which emphasizes driving qualified traffic to NIKE-owned digital platforms in order to strengthen direct consumer relationships and leverage first-party data (Nike, Inc., 2025b). However, the company reported declines in NIKE Brand Digital performance, driven by lower traffic and reduced conversion efficiency across key markets, which highlights the need to improve e-commerce conversion outcomes (Nike, Inc., 2025c).

At the same time, NIKE has faced increasing pressure to enhance marketing efficiency, as rising customer acquisition costs and higher promotional activity negatively affected gross margins. Company disclosures stress the importance of improving the productivity of digital revenue generation by optimizing marketing effectiveness and reducing reliance on promotional discounting, rather than increasing media spend alone (Nike, Inc., 2025b; Nike, Inc., 2025c). Taken together, these disclosures imply key digital marketing objectives focused on increasing qualified traffic, improving conversion efficiency, controlling acquisition costs, and enhancing overall digital revenue productivity through more effective execution rather than margin-eroding promotions.

Industry benchmarks indicate that global e-commerce conversion rates typically range between 1.9% and 3.0%, depending on sector, device, and traffic source (Smart Insights, 2025; Triple Whale, 2026). Estimated third-party data suggests that nike.com conversion rates in early 2026 have ranged from 1.5% to 2.0%, below high-performing industry benchmarks, despite maintaining substantial traffic volumes (Grips Intelligence, 2026).

Although its marketing spending levels are aligned with industry norms, NIKE experienced declining digital performance outcomes during fiscal year 2025. Lower digital traffic growth, combined with weaker conversion rates and increased promotional intensity, contributed to reduced digital revenues and margin pressure. Gross margin declined to 42.7%, down 190 basis points year-over-year, which highlights the financial consequences of insufficient marketing efficiency and increased discounting (Nike, Inc., 2025a).

These results exposed a growing gap between planned marketing objectives and actual performance, raising strategic concerns about whether current performance indicators adequately capture the effectiveness of digital marketing investments.

Alternatives

Internally, NIKE's leadership faces differing perspectives on how digital marketing performance should be evaluated. Some teams emphasize upper-funnel metrics such as reach, impressions, and engagement as indicators of long-term brand equity, while others argue that lower-funnel metrics—including conversion rate, revenue per session, and ROAS—should carry greater weight under current financial pressures.

The decline in NIKE Brand Digital sales, despite significant media investment, has intensified executive scrutiny of marketing dashboards and KPI prioritization. With NIKE Direct revenues accounting for a substantial share of total company sales, leadership is increasingly concerned about aligning digital marketing effectiveness with measurable financial outcomes such as revenue growth, margin recovery, and return on invested capital (Nike, Inc., 2025a).

The Decision

As NIKE continues to depend on digital channels as a primary engine of direct-to-consumer growth, the company must decide how to evaluate digital marketing performance in a way that connects marketing activity with tangible business results.

The central decision involves determining which performance indicators should guide the digital marketing strategy, how marketing efficiency should be measured relative to revenue and profitability outcomes, and whether existing dashboards enable managers to identify the true drivers of digital sales performance.

Students are expected to analyze NIKE's digital performance context and propose how marketing metrics, financial indicators, and strategic objectives should be integrated to support data-driven, ethically responsible, and economically sustainable decision-making.

SEE Database [HERE](#)

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